

Basic

**YOUR
Basic
MARKETING
PLAN
1996**

2060201826

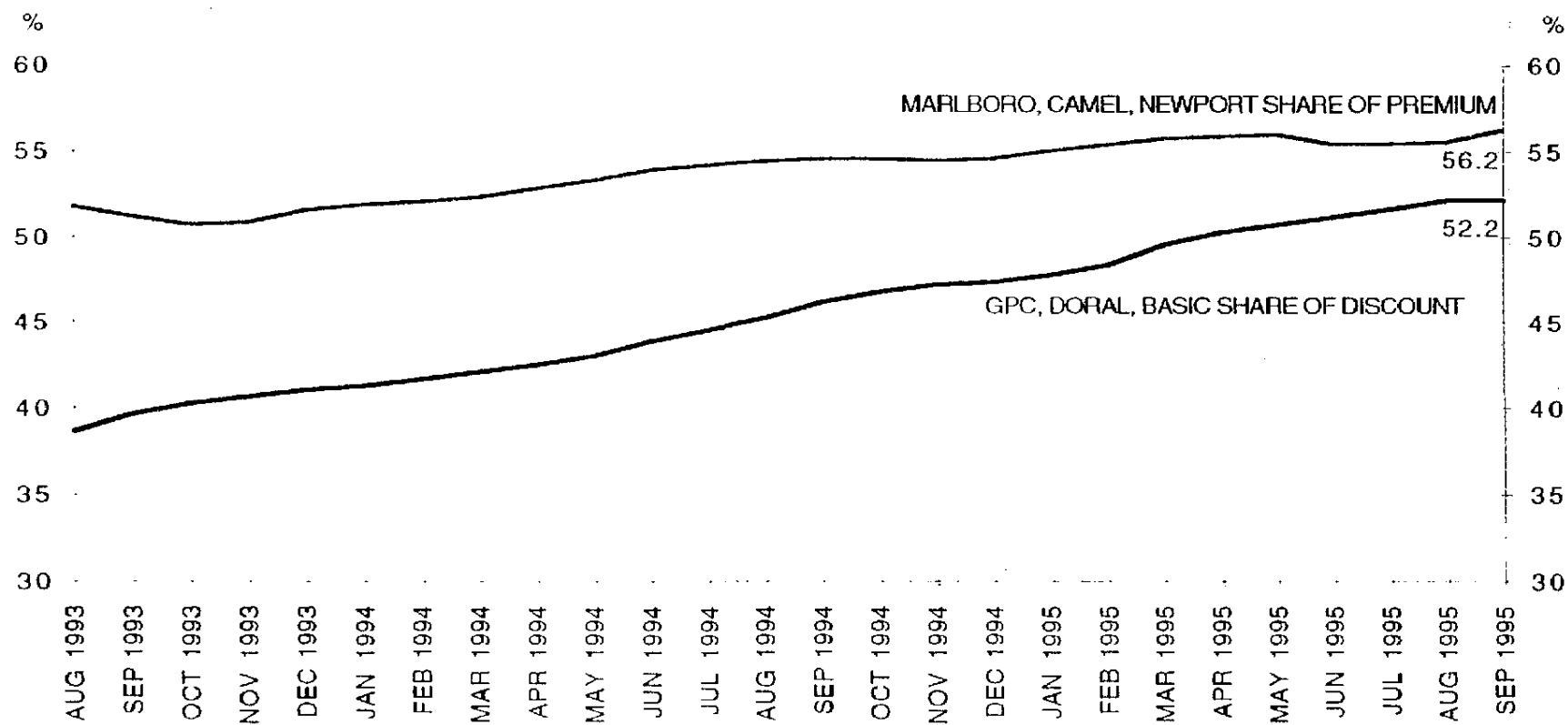
Basic

1996 MARKETING PLAN DISCOUNT CATEGORY

- **CONSOLIDATION IN CATEGORY**
- **PRICE PROMOTED BRANDS ARE GROWING**
- **GPC/DORAL STAKING GROUNDS**
 - GEOGRAPHICALLY
 - BRAND EQUITY
- **REDUCED BUYDOWN IN MEGA--FUNDS DIVERTED TO C-STORE**
- **DISCOUNT BOX GROWING**
 - SKEWS YOUNGER

2060201827

TOP 3 PREMIUM AND DISCOUNT BRANDS SHARE OF CATEGORY



8281020902

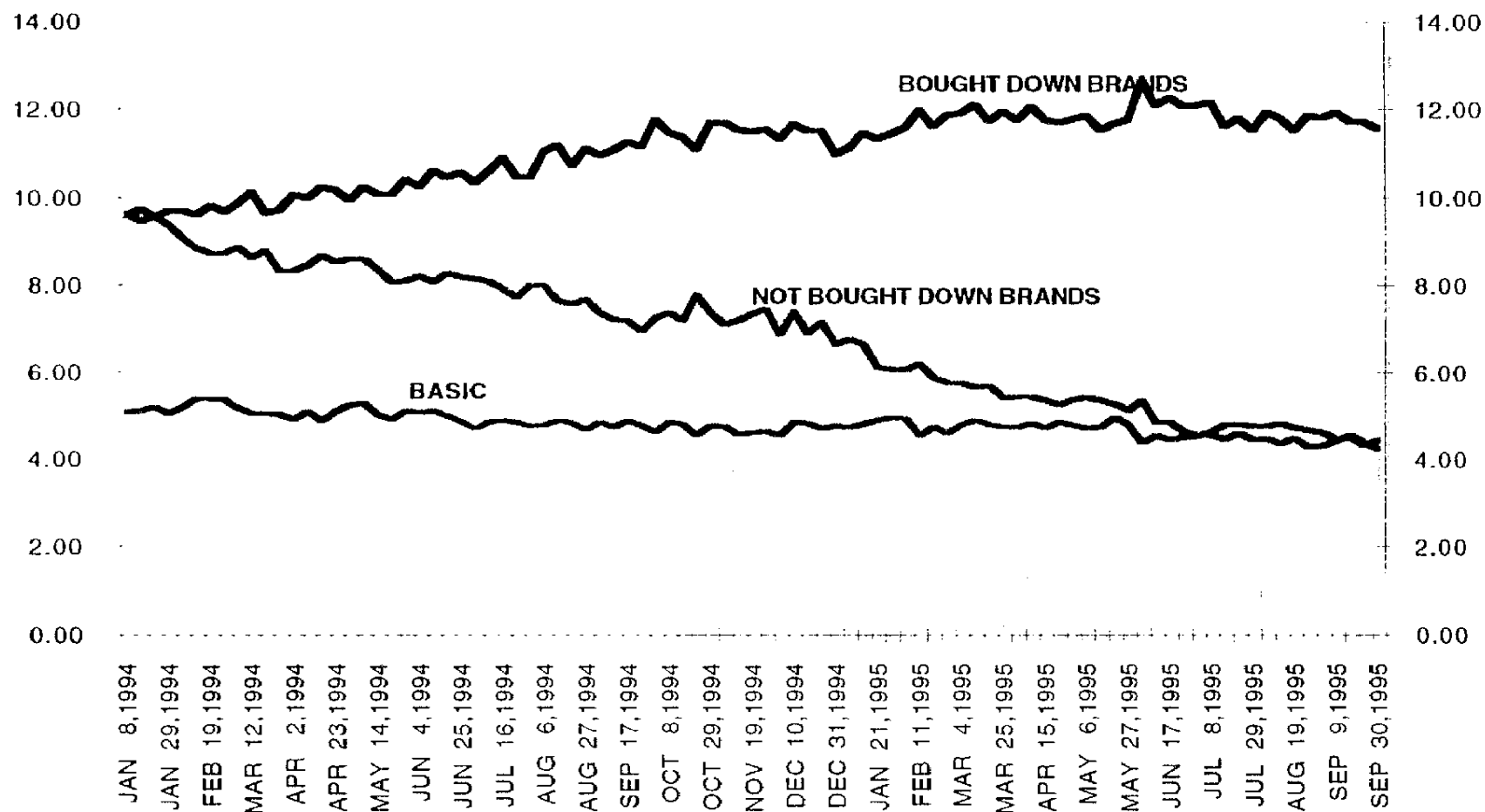
SOURCE: INTEGRATED NIELSEN, 3MM

DISC BRAND SHRS W/O PL Chart 1

BOUGHT DOWN VS. NOT BOUGHT DOWN BRANDS

(BOUGHT DOWN BRANDS INCLUDE DORAL, MISTY, & GPC)

(NOT BOUGHT DOWN BRANDS EXCLUDE BASIC)

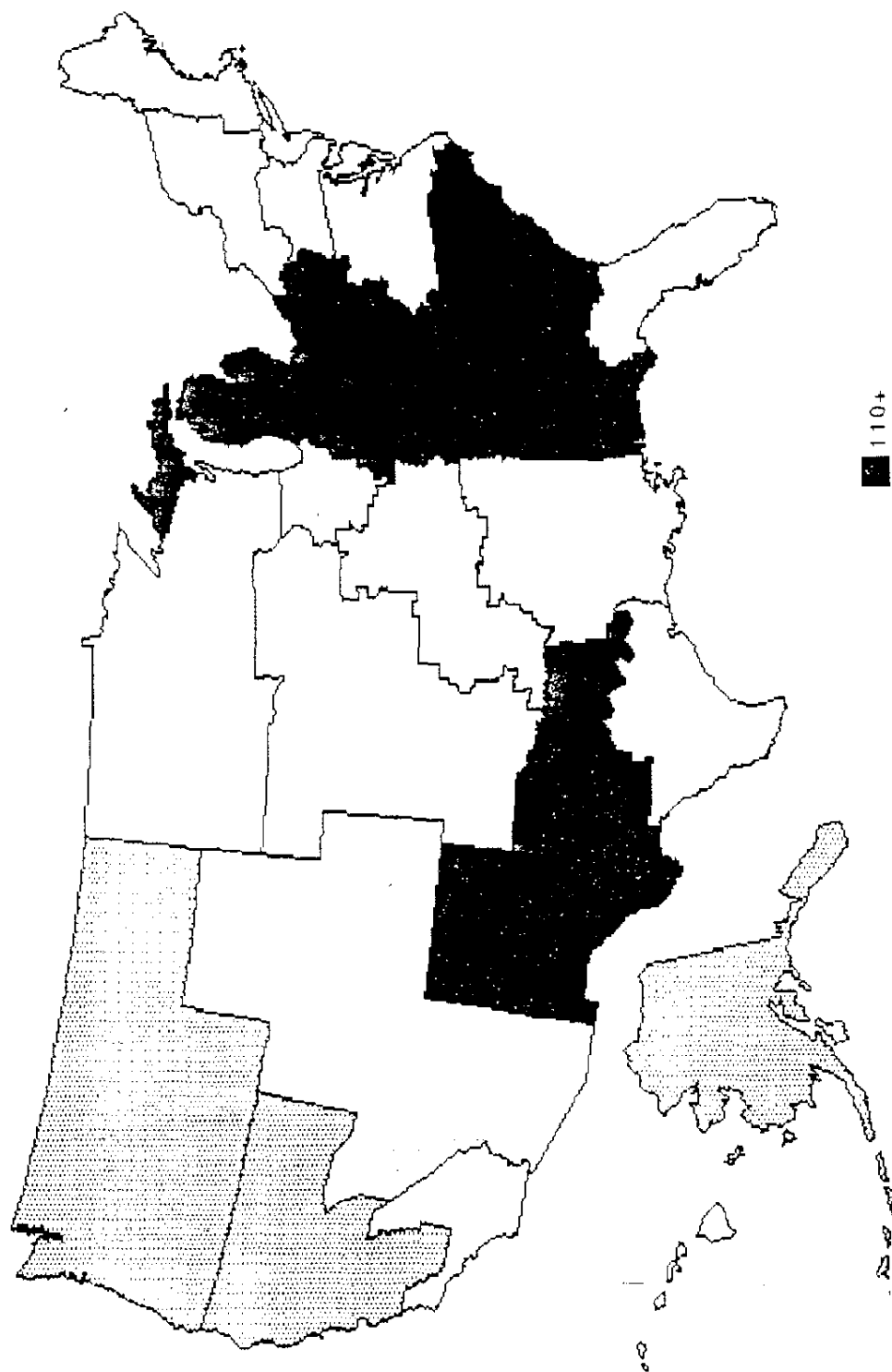


6281020902

NIELSEN INTEGRATED WEEKLY - C-STORES

Basic

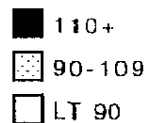
SDI



Integrated Nielsen, September 1995 3MM

2060201830

SDI

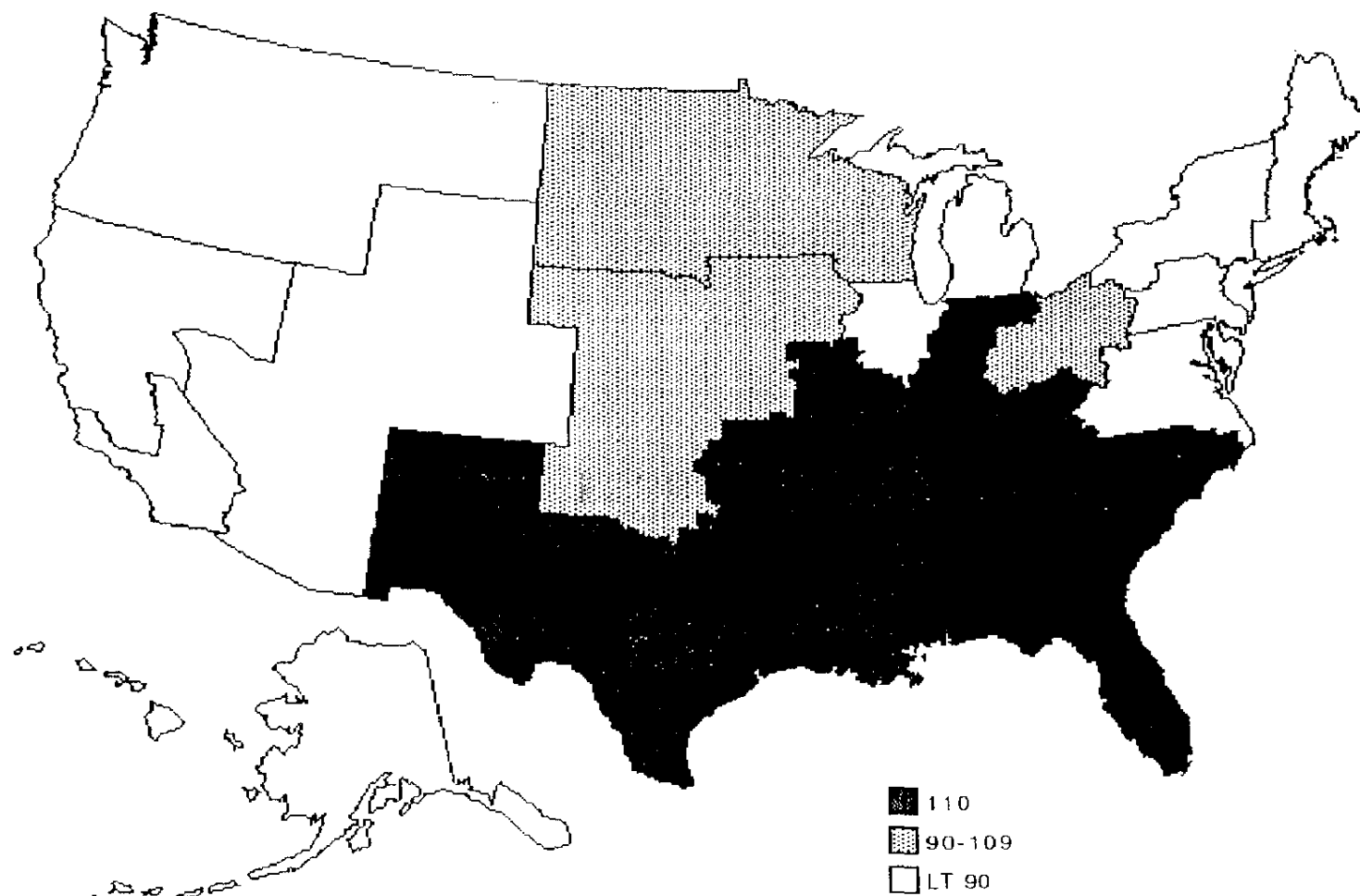


Integrated Nielsen, September 1995 3MM

2060201831

Doral

SDI

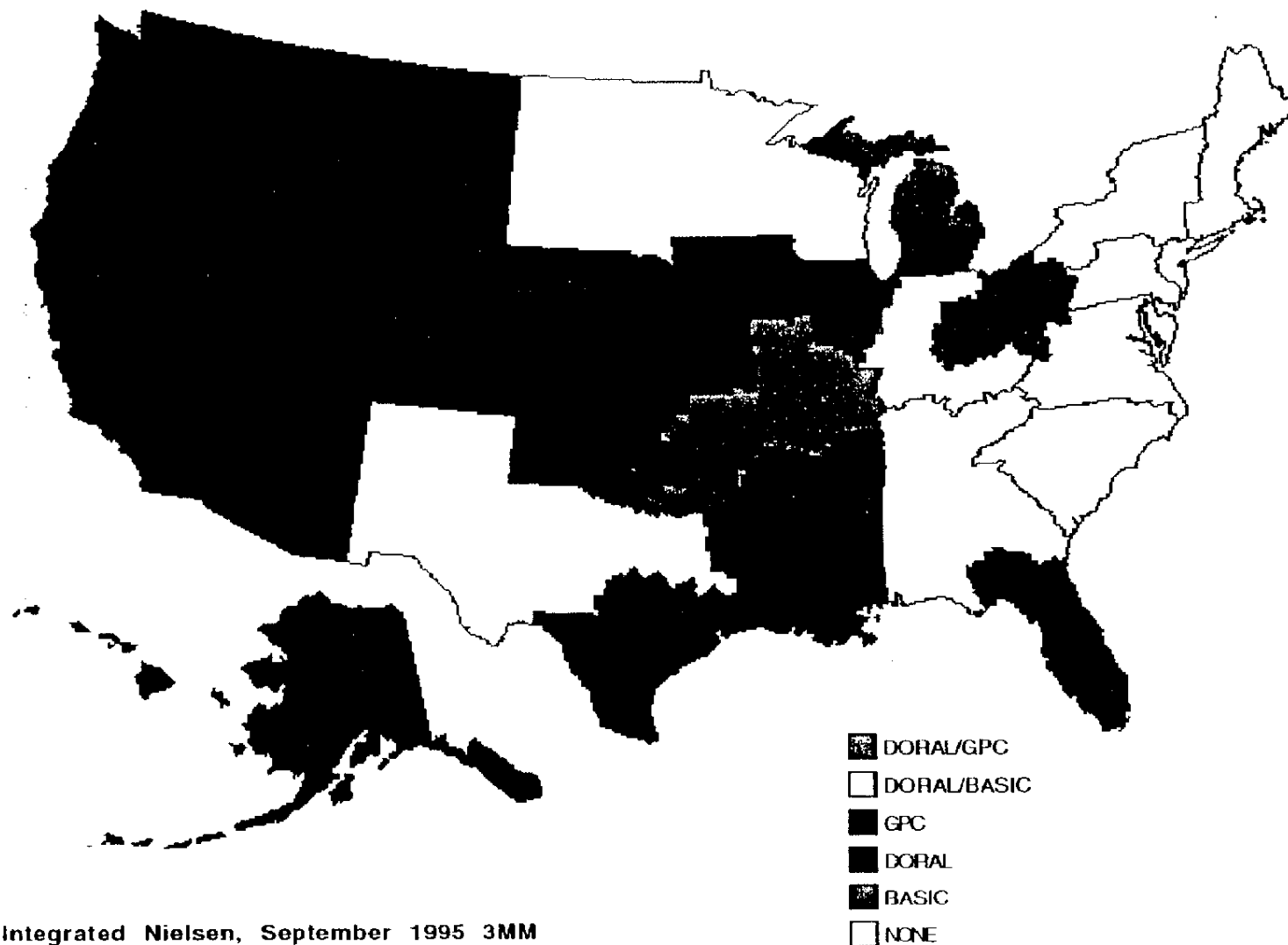


Integrated Nielsen, September 1995 3MM

2060201832

Basic, Doral, and GPC

SDI 110+

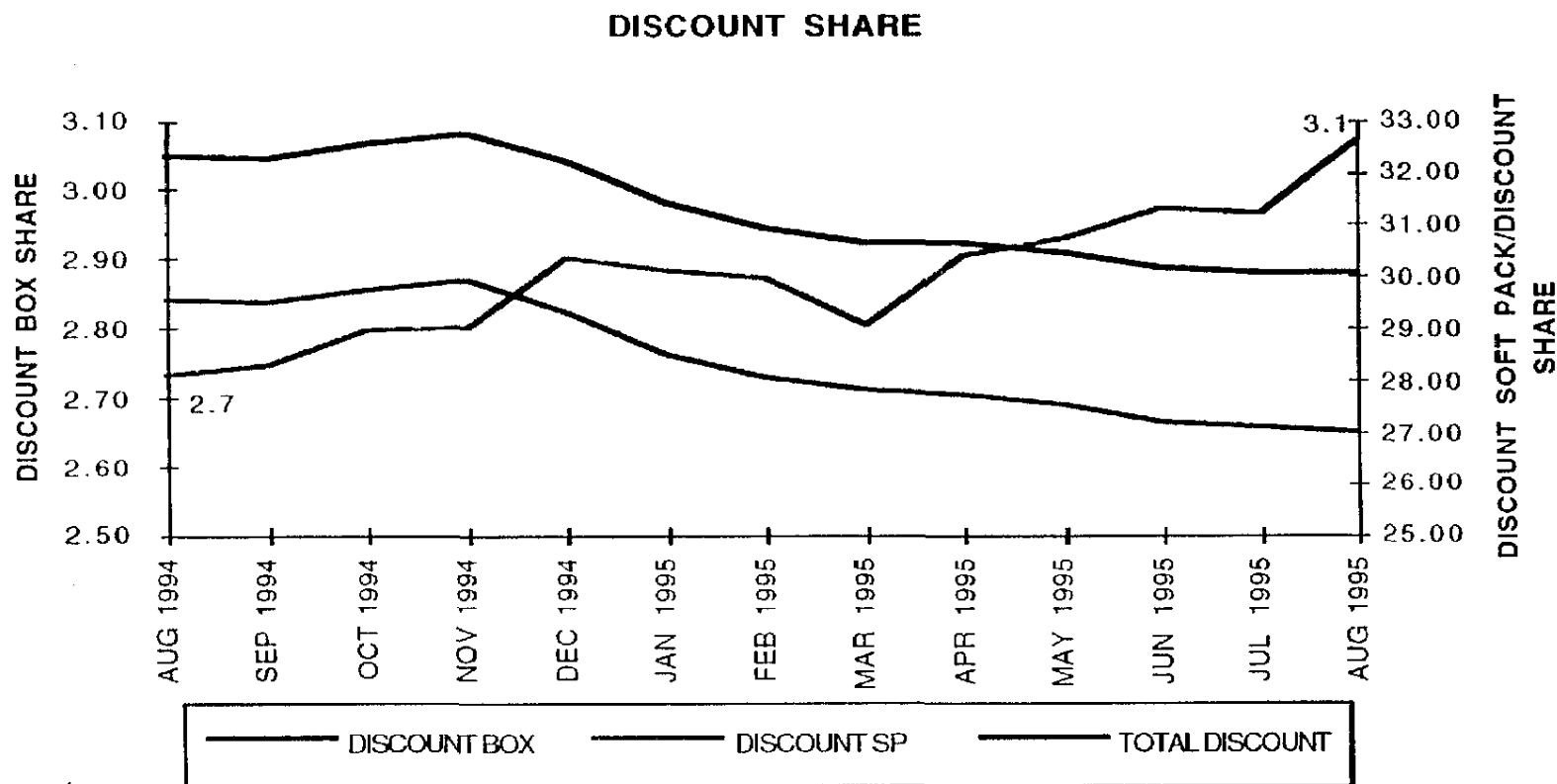


Integrated Nielsen, September 1995 3MM

2060201833

Basic

DISCOUNT BOX IS INCREASING AS THE OVERALL DISCOUNT CATEGORY DECLINES



2060201834

SOURCE: MSA SHIPMENTS, 3MM

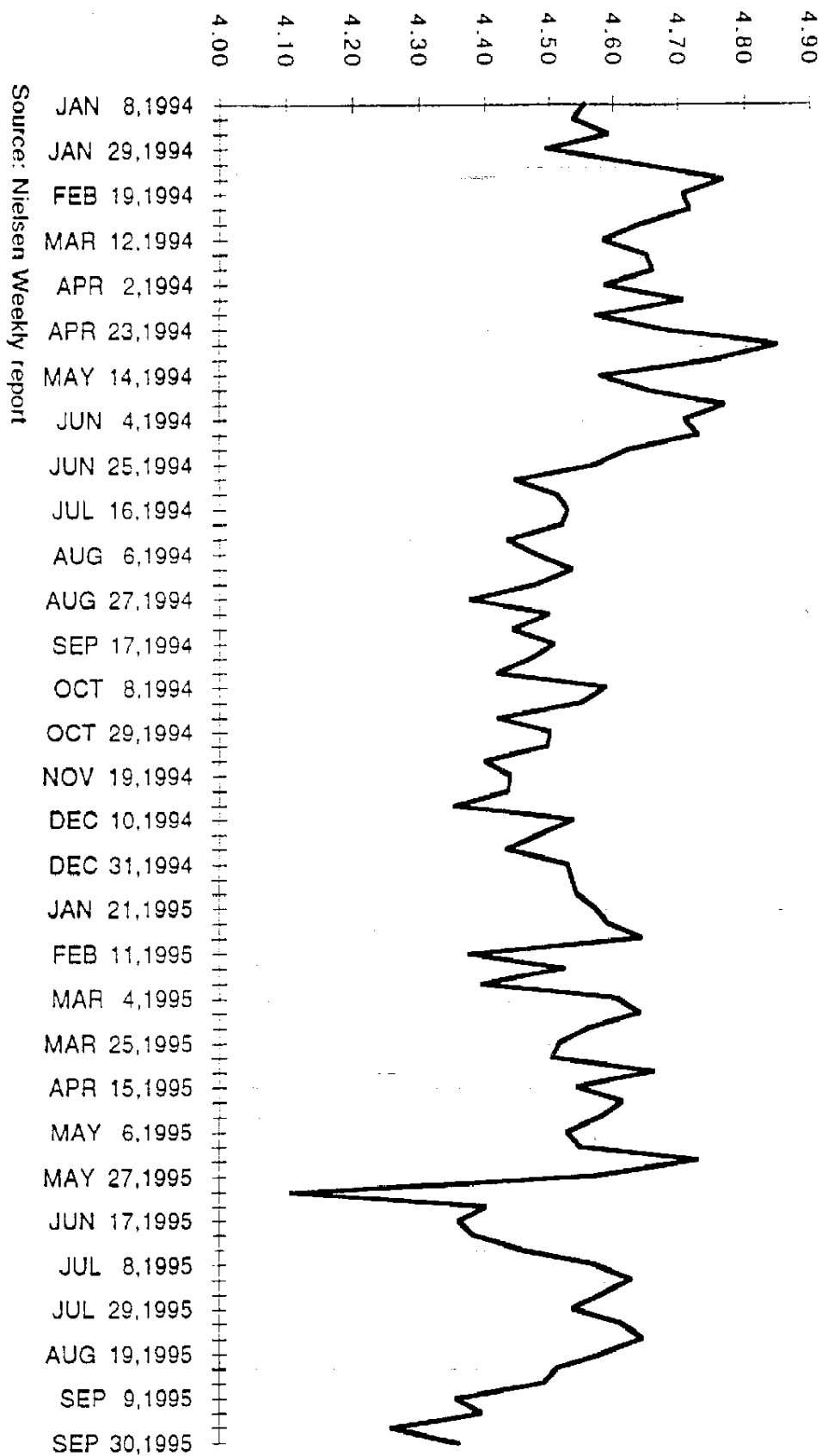
Basic

1996 MARKETING PLAN SITUATION ANALYSIS

- **BASIC SHARE AND SHARE OF CATEGORY DECLINING**
 - **STRENGTH SECTIONS**
- **MEET 1995 SHIPMENT FORECAST**
- **CONTINUE TO SOURCE VOL FROM GPC/DORAL**
- **UNDERDEVELOPED IN MEGA OUTLETS**
- **CONTINUE TO BUILD BRAND EQUITY**

2060201835

Basic share has not fundamentally recovered from the recall with an exception of brief
share gain in July



9381020902

Basic

1996 MARKETING PLAN EXAMPLES OF BRAND EQUITY

- **SUSTAINING PRICE DIFFERENCE OF \$0.24 - \$.032**
- **HIGH AWARENESS LEVELS**
 - BRAND AWARENESS - 82%
 - TOTAL AD AWARENESS - 34%
- **BASIC FULFILLMENT (DOUBLE HISTORICAL LEVEL)**
- **HIGH DIRECT REDEMPTION**

2060201827

Basic

1996 MARKETING PLAN

OBJECTIVE

- **ACHIEVE VOLUME 23.5 B UNITS (+1.3B)**
- **GROW SHARE OF CATEGORY TO 16.6 (+1.4) AND SOM TO 4.9**
- **INCREASE NET CONTRIBUTION BY 31% TO \$346.2MM (+\$81.1)**

2060201838

Basic

1996 MARKETING PLAN STRATEGY

- **NATIONAL PLAN**
 - SPEND TOWARDS STRENGTH
 - * FEWER PROMO IN WEAK GEO
- **CONTINUE TO BUILD BRAND EQUITY**
FOUR THEMED PROGRAMS:
 - ADVERTISING
 - PROMOTIONS—PRODUCT / INCENTIVE / PRICE
(PRICE PROMOTIONS HAVE EQUITY OVERLAYS)
 - DIRECT MAIL
- **BOX PACKING—FEBRUARY INTRODUCTION**
- **REMAIN COMPETITIVE IN MEGA**
- **TARGETED PROGRAMS TO GROW**
 - GPC STRENGTH / THREAT STORES
 - NON RETAIL MASTERS STORES
 - MENTHOL SBO

6881020902

Basic

1996 MARKETING PLAN RETAIL STRATEGIES

RETAIL MASTERS

- PRIMARY DISCOUNT SIGNAGE
- PRICE PROMOTION
- INCENTIVE / PRODUCT PROMOTION

NON-RETAIL MASTERS

- SUBSCRIPTION PROGRAM
 - RETAIL VISIBILITY
 - QUARTERLY PROMOTIONS (PRODUCT)
- DISPLAY PAYMENT
- GPC TARGETED — PRODUCT

MEGA OUTLETS

- FOOTPRINT PROGRAM
 - DISPLAY PAYMENT (NRM)
 - VISIBILITY

2060201840

Basic

BASIC BOX

BASIC BOX PLAN

2060201841

Basic

BASIC BOX 1996 OBJECTIVE/GOAL

- INTRODUCE NEWS IN THE MARKETPLACE/INCREASE RETAIL VISIBILITY
- ACHIEVE A MARKET SHARE OF 0.6%
- OBTAIN 80% RETAIL DISTRIBUTION

2060201842

Basic

BASIC BOX INTRODUCTORY ALLOCATION

- 1/2% INDUSTRY DIRECT MONTHLY VOLUME
- 250 MM UNITS
- 20,833 CASES (12M)
- BALANCE ALLOCATIONS BASED ON STRENGTH OF BOX MARKETS

<u>PACKINGS</u>	<u>% OF TOTAL</u>	<u>UNITS (MM) / MONTH</u>
FF KINGS	50%	125
LT KINGS	30%	75
FF M KINGS	<u>20%</u>	<u>50</u>
TOTAL	100%	250

2060201843

Basic

BASIC BOX TRADE PROGRAMS (WHOLESALE)

- INTRO PERIOD - JAN 15 - FEB. 28, 1996
- ALLOWANCE - \$12/CASE
- DISCOUNT - 3 1/4% DISCOUNT
- TERMS - 30 DAYS DURING INTRO

RETAIL / MERCHANDISING OFFER

- GRATIS - - 20% IF THREE PACKINGS ACCEPTED
10% IF 1 OR 2 PACKINGS ACCEPTED
(REVENUE PRODUCT ONLY)
- TOP SHELF FOR 3 MONTHS
-6 MONTHS IN REGION 5
- TEMPORARY DISPLAYS WHERE NO DISCOUNT DISPLAY
-GRAVITY FEED
- MINIMUM 3 PCS POS
- REPLACEMENT OF PACKINGS DECIDED AT LOCAL LEVEL

2060201844

Basic

BASIC BOX
FSF

- DISTRICT MEETINGS
- STRATEGY COMMUNICATION
- INTRO VIDEO
- SELL - IN PACKAGE

2060201845

Basic

**BASIC BOX
PROMOTION**

	<u>RETAIL MASTERS</u>	<u>NON RETAIL MASTERS</u>
FEB	B2G1F -----	
MARCH	\$0.20 / PACK BOX B2G1F -----	B2G1F
APRIL	\$0.20 / PACK	B2G1F
MAY	BBQ LIGHTER W/ 3 PK -----	
JUNE	\$0.20 / PACK	B2G1F
JULY	\$0.20 / PACK	B2G1F
AUGUST	FLASHLIGHT W/ 2 PK -----	
SEPTEMBER	B2G1F -----	
OCTOBER	TOOL KIT W/ CARTON -----	
NOVEMBER	\$0.20 / PACK	B2G1F
DECEMBER	B2G BOX INCENTIVE FREE -----	

2060201846

Basic

BASIC BOX POINT OF SALE

TEMPORARY

- HEADERS, SHELF TALKERS, DANGLERS AND STARBURSTS
- BANNERS
- JUMBO PACK
- MOVABLE PACK
- BOX DUMP BIN FOR MEGA

SEMI-PERMANENT

- GRAVITY FEED DISPLAY

PERMANENT

- METAL SIGNS
- FLIP TOP/BOX ASHTRAY

2060201847

Basic

BASIC BOX ADVERTISING / DIRECT / FSI

- FEB 15 - MAY 15 -> SPECIFIC BOX CREATIVE
 - PRINT -> NATIONAL
 - OOH -> BASIC PLAN
- +
- ADD'L TOP BOX MARKETS
- SUSTAINING COVERAGE IN ADDED MARKETS
- INCORPORATE 8 SHEETS IN URBAN MARKETS
- FEB DIRECT -> 3MM SMOKERS
- FEB FSI --> BOX CREATIVE

2060201848

Basic

BASIC BOX
TIMETABLE

W/O OCTOBER 16	FINAL PACKAGING ART DUE TO RICHMOND
W/O NOVEMBER 27	BEGIN PRODUCTION (SALES SAMPLES BY DEC 11)
W/O DECEMBER 11	SALES MEETINGS
W/O DECEMBER 22	COMPLETE PRODUCTION (PRIOR TO PLAN SHUT DOWN)
JANUARY 1	BEGIN FORCESHIPPIING POS TO TSM'S
JANUARY 8	BEGIN SHIPPING PRODUCT TO PUBLIC WAREHOUSES
FEBRUARY 1	DROP FEBRUARY DIRECT MAIL
FEBRUARY 5	DOWN THE STREET
FEBRUARY 12	BREAK IN PRINT
FEBRUARY 15	BREAK IN OOH
FEBRUARY 25	DROP FSI
MARCH	B2G1F

2060201849

Basic

1996 PLAN ADVERTISING STRATEGY

BRAND ESSENCE:

BASIC IS A GOOD QUALITY, AFFORDABLE CIGARETTE. THE CORE ESSENCE OF THE BRAND HAS GROWN OUT OF ITS MEMORABLE NAME AND NO-FRILLS PACKAGING. IT NEVER PRETENDS TO BE SOMETHING THAT IT IS NOT. RATHER, IT IS PROUD OF WHAT IT IS, AND EXPRESSES THE SENSE OF BEING BASIC IN AN UNPRETENTIOUS AND HUMOROUS WAY.

2060201850

Basic

1996 PLAN ADVERTISING STRATEGY

ADVERTISING STRATEGY

- CONVINCE: DISCOUNT SMOKERS
- THAT: BASIC IS ALL YOU NEED IN A CIGARETTE
- BECAUSE: BASIC IS AN HONEST DOWN TO EARTH BRAND
THAT OFFERS GOOD TASTE AT A LOW PRICE

EXECUTIONAL GUIDELINES

- SIMPLICITY/QUICK READ
- "WITTY"
- GROW OUT OF THE PRODUCT PROPOSITION
- RELEVANT TO SMOKING WHERE POSSIBLE

2060201851

Basic

1996 PLAN ADVERTISING STRATEGY

ADVERTISING STRATEGY

- CONVINCE: DISCOUNT SMOKERS
- THAT: BASIC IS ALL YOU NEED IN A CIGARETTE
- BECAUSE: BASIC IS AN HONEST DOWN TO EARTH BRAND
THAT OFFERS GOOD TASTE AT A LOW PRICE

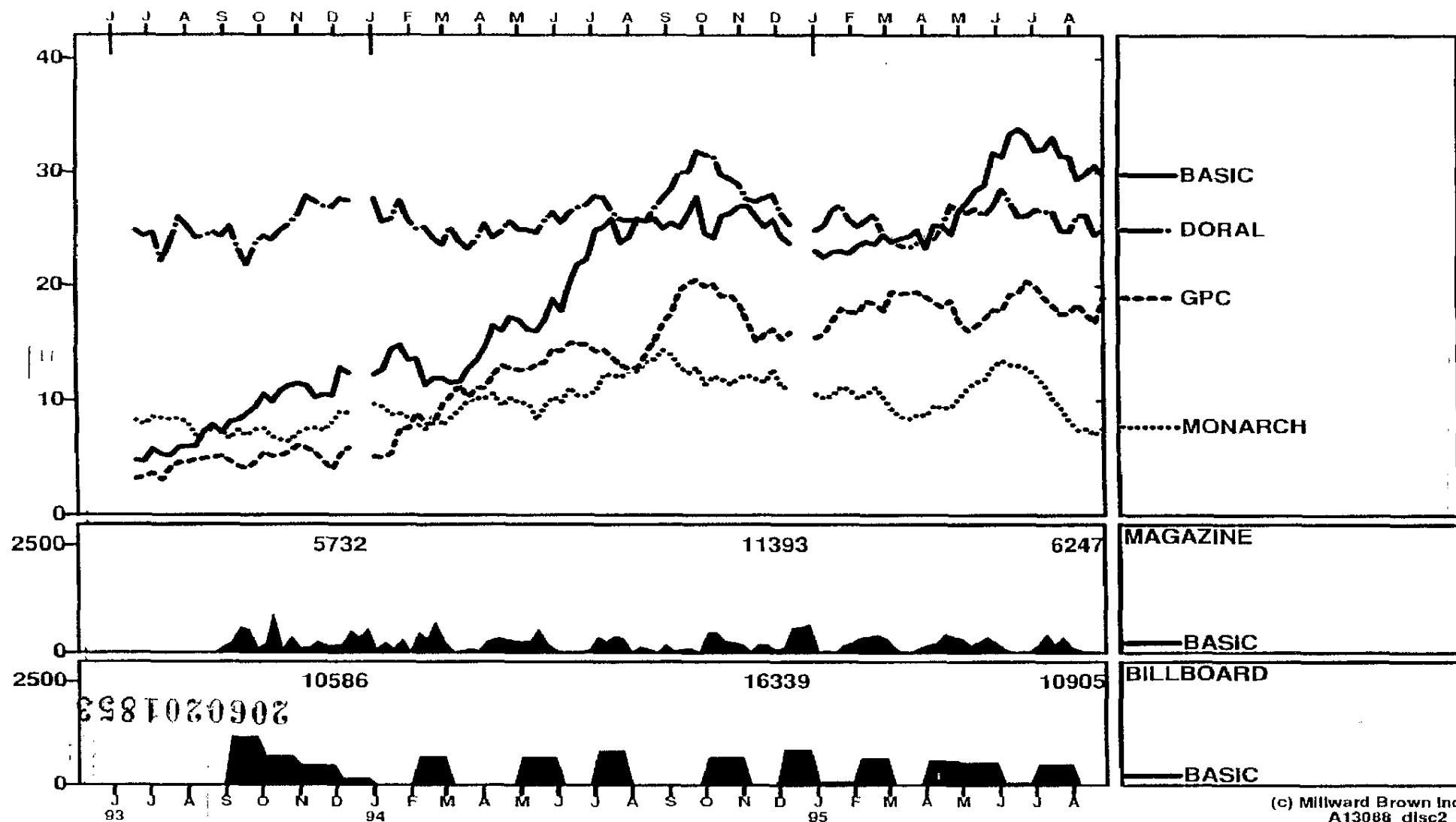
EXECUTIONAL GUIDELINES

- SIMPLICITY/QUICK READ
- "WITTY"
- GROW OUT OF THE PRODUCT PROPOSITION
- RELEVANT TO SMOKING WHERE POSSIBLE

2060901898

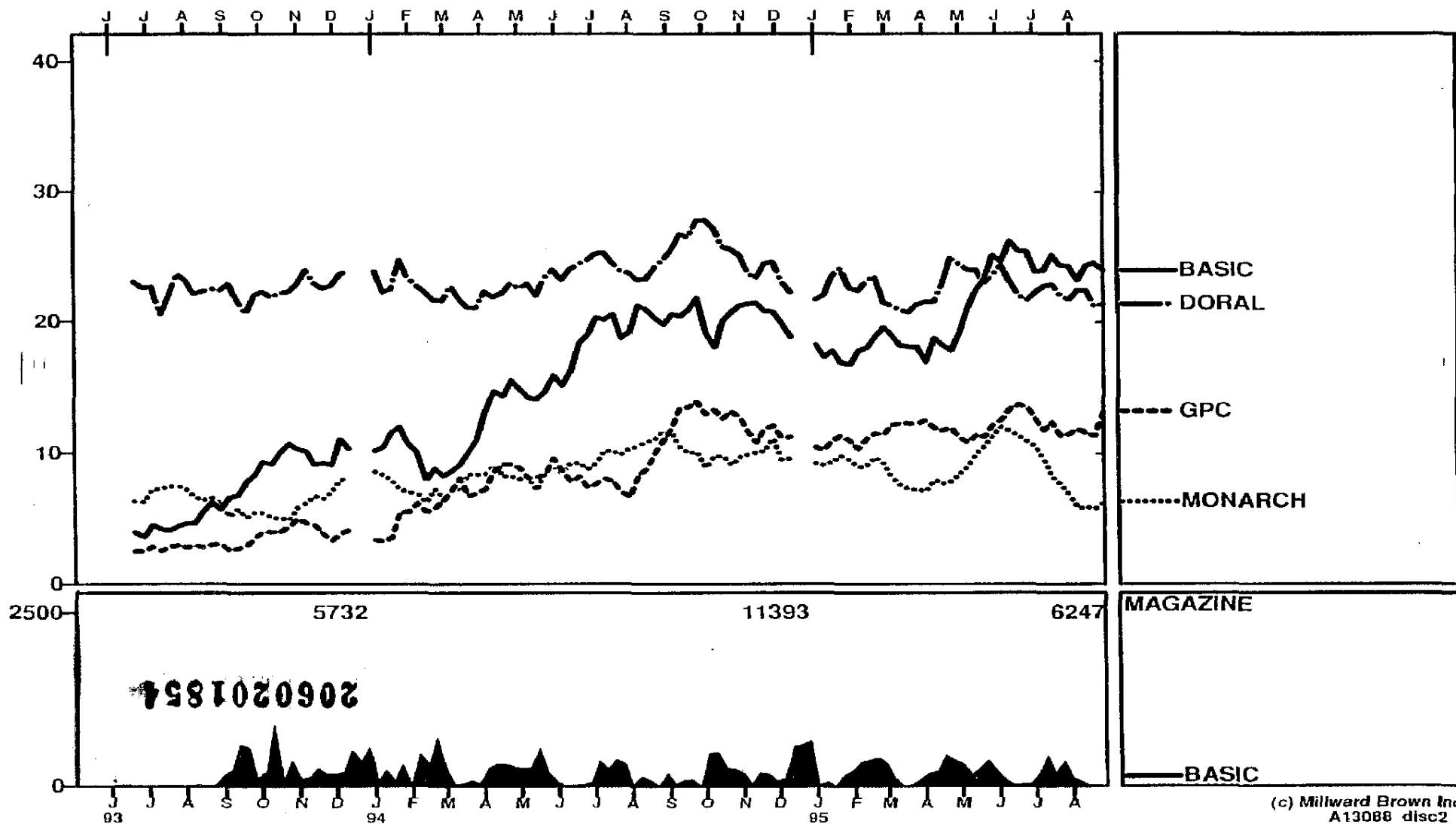
TOTAL AD AWARENESS (PRINT/BILLBOARD NET)

Based on TOTAL
Rolling 8 weekly data



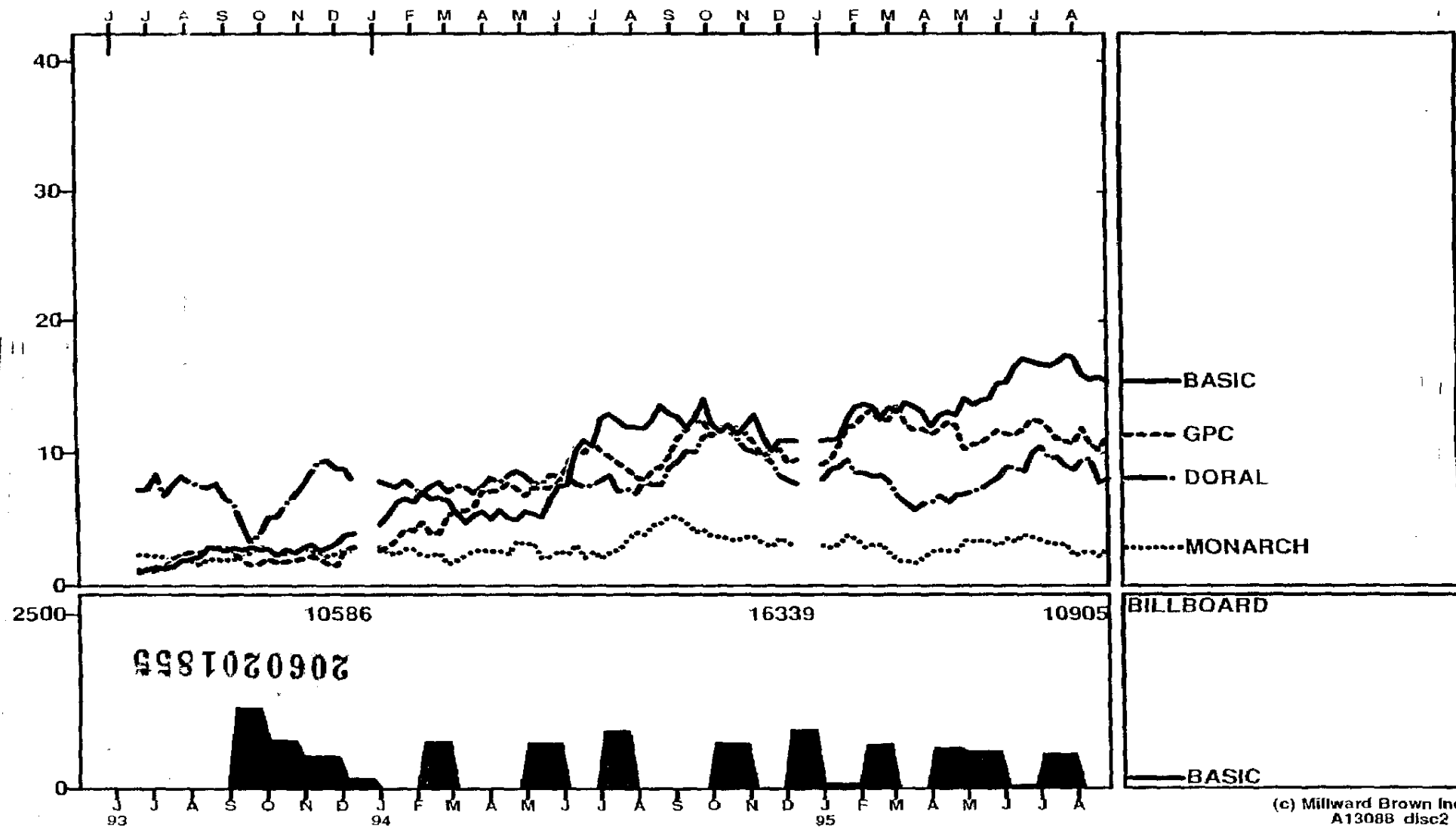
PRINT AD AWARENESS

Based on TOTAL
Rolling 8 weekly data



BILLBOARD AD AWARENESS

Based on TOTAL
Rolling 8 weekly data



(c) Millward Brown Inc.
A13088 disc2 3

Basic

1996 PLAN ADVERTISING MIX

BASIC CREATES ADVERTISING IN THREE CATEGORIES:

PRODUCT PROPOSITION:

- CONSUMER TAKE - AWAY "TASTE GOOD. COST LESS."

ALL YOU NEED:

- ADDS EMOTIONAL DIMENSION
- CONSUMER TAKE AWAY "BASIC IS ALL YOU NEED IN A CIGARETTE."

SPECIAL INTEREST:

- TAILORED TO SPECIFIC PUBLICATION / EVENTS
- CONSUMER TAKE - AWAY "BASIC HAS ATTITUDE AND SENSE OF HUMOR."

2060201856

Basic

1996 ADVERTISING PLAN PRINT

- HIGH REACH AND FREQUENCY FOR 3 MONTHS (SAME AS '95)
— 78 / 3.7
- CONTINUOUS PRINT FOR THE REST OF THE YEAR
— 66 / 2.5

AUDIENCE

- ADULT SMOKERS 25-54
- SKEWS YOUNGER
- 55 MALE / 45 FEMALE

2060201857

Basic

1996 BOOK LIST

TIER 1

BASSMASTER	HOT ROD	NATIONAL ENQUIRER	SPORT	US
CAR & DRIVER	HUNTING	PENTHOUSE	SPORTING NEWS	WOMEN'S DAY
COSMOPOLITAN	INSIDE SPORTS	PEOPLE	SPORTS ILLUSTRATED	
COUNTRY AMERICA	MOTOR TREND	PLAYBOY	TRUE STORY	
FIELD & STREAM	MOTORCYCLIST	SOAP OPERA DIGEST	TV GUIDE	

TIER 2

CAR CRAFT	FOUR WHEELER	ROLLING STONE
CYCLE WORLD	HOME MECHANIX	SOAP OPERA WEEKLY
ENTERTAINMENT WEEKLY	LIFE	STAR
FIRST FOR WOMEN	NO. AMERICAN HUNTER	WOMAN'S WORLD

8981020902

Basic

1996 ADVERTISING STRATEGY OUT OF HOME

NATIONAL PLAN

- 6 MONTHS
- BASIC STRONG AND DISCOUNT CATEGORY STRONG
 - #75 SHOWING
 - LEADERSHIP POSITION IN SOME MARKETS VIA CONTINUOUS PRESENCE
- BASIC WEAK AND DISCOUNT CATEGORY STRONG
 - #50 SHOWING
- BASIC STRONG AND DISCOUNT CATEGORY WEAK
 - #50 SHOWING

2060201859

BASIC 1996 NATIONAL MEDIA PLAN

		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
ADVERTISING													
OUTDOOR (OOP)	TIER 1A	\$50	\$50-75	\$50-75	\$50-75	\$50	\$50	\$50-75	\$50-75	\$50	\$50-75	\$50	
	TIER 1B & 2		\$50-75	\$50-75	\$50-75			\$50-75	\$50-75		\$50-75		11
	TIER 3		\$50	\$50	\$50			\$50	\$50		\$50		
	BOX MARKETS		\$75	\$75	\$75			\$50	\$50		\$50		
	TRUCK STOP												
	MEGAVOLUME												
PRINT	MAGS		70/3.7	70/3.9	70/3.7	66/2.5	66/2.5	66/2.5	66/2.5	66/2.5	66/2.7	66/2.6	
	MILITARY												

0981020902

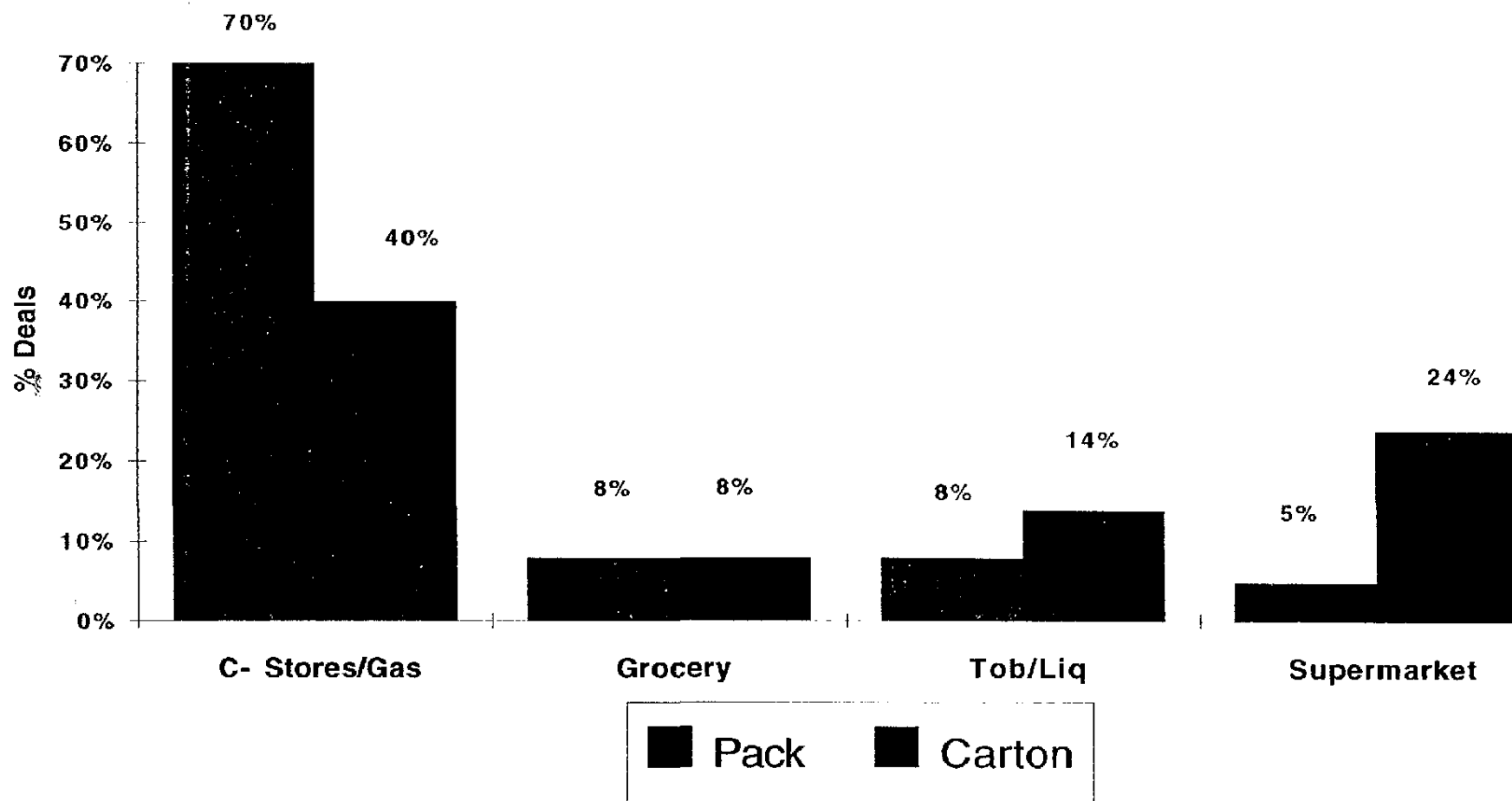
BASIC - 1995 NATIONAL RETAIL PROMOTIONS

- 1995 RESULTS

- 6 INCENTIVE / 5 PRODUCT / 2 PRICE
- HIGH UTILIZATION LEVEL
- POSITIVE FSF FEEDBACK
- RM STORES PROMOTION PLACEMENT - 80%
- BOUNCEBACK REDEMPTIONS GROWING
- GENERATED 144,000 NAMES (1994); 150,000 NAMES (1995)

1981020902

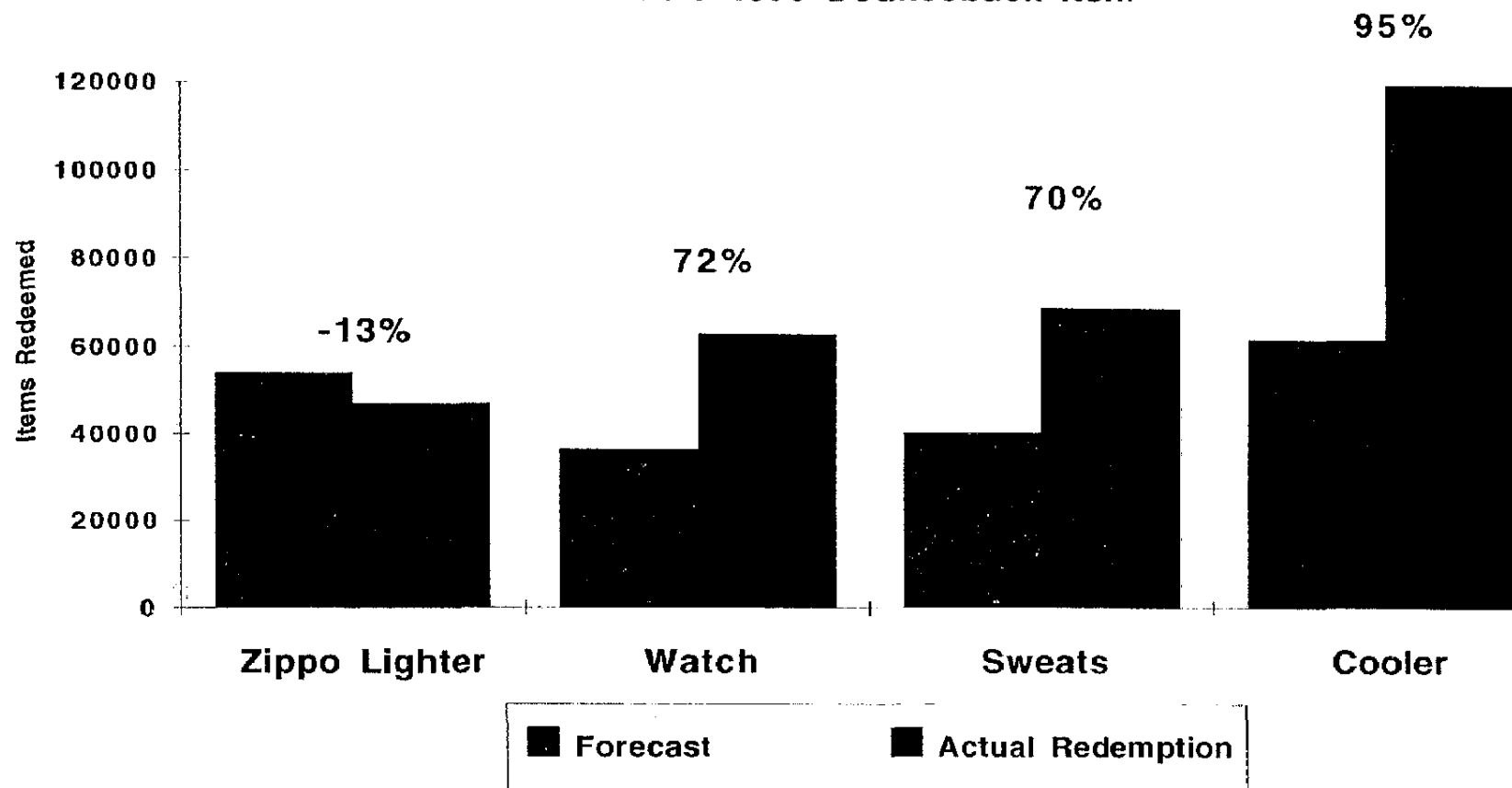
1995 BASIC PENETRATION



2060201862

Source: Space

Basic 1995 Bounceback Item



2060201863

BASIC - 1996 MARKETING PLAN PROMOTION STRATEGY

- "SPEND TO BRAND STRENGTH"
 - FEWER PROMO IN WEAK GEOS
- ACHIEVE SYNERGY WITH THEME BASED QUARTERLY PROGRAMS
- BUILD IMAGE & AWARENESS -- INCENTIVE / PRODUCT
- PRICE PROMOTION TO REMAIN COMPETITIVE
- ENCOURAGE CONSUMER LOYALTY -- BOUNCEBACKS

2060201864

Basic

BASIC NATIONAL MARKETING PLAN

<u>Month</u>	<u>Program</u>	<u># Kits</u>	<u># Deals</u>	<u>Est. Days @ Retail</u>
Jan	B2G/Lighter	125,000	5.0mm	14
Feb	B2G1F	125,000	5.0mm	14
Mar/Apr	\$0.20	100,000 RM		21
	B2G1F	35,000 NRM	1.4mm	21
May	B3G/BBQ Lighter	87,500	3.5mm	18
Jun/Jul	\$0.20		100,000 RM	21
	B2G1F	35,000 NRM	1.4mm	21
Aug	B2G/Flashlight	125,000	5.0mm	14
Sep	B2G1F	125,000	5.0mm	14
Oct	B1Ctn/Toolkit	30,000	1.2mm	18
Nov/Dec	\$0.20	100,000 RM		14
	B2G1F	35,000 NRM	1.4mm	21

9981020902

Basic

**BASIC - 1996 MARKETING PLAN
PROMOTION STRATEGY**

OUTLETS

PACK

GENERATE TRIAL

CARTON

ENCOURAGE CARTON PURCHASE

MEGA

PRICE COMPETITIVE

MILITARY

PROGRAMS

8 PROMOTIONS

-- 3 INCENTIVE / 2 PRODUCT / 3 PRICE

4 PROMOTION

-- 1 INCENTIVE / 3 PRICE

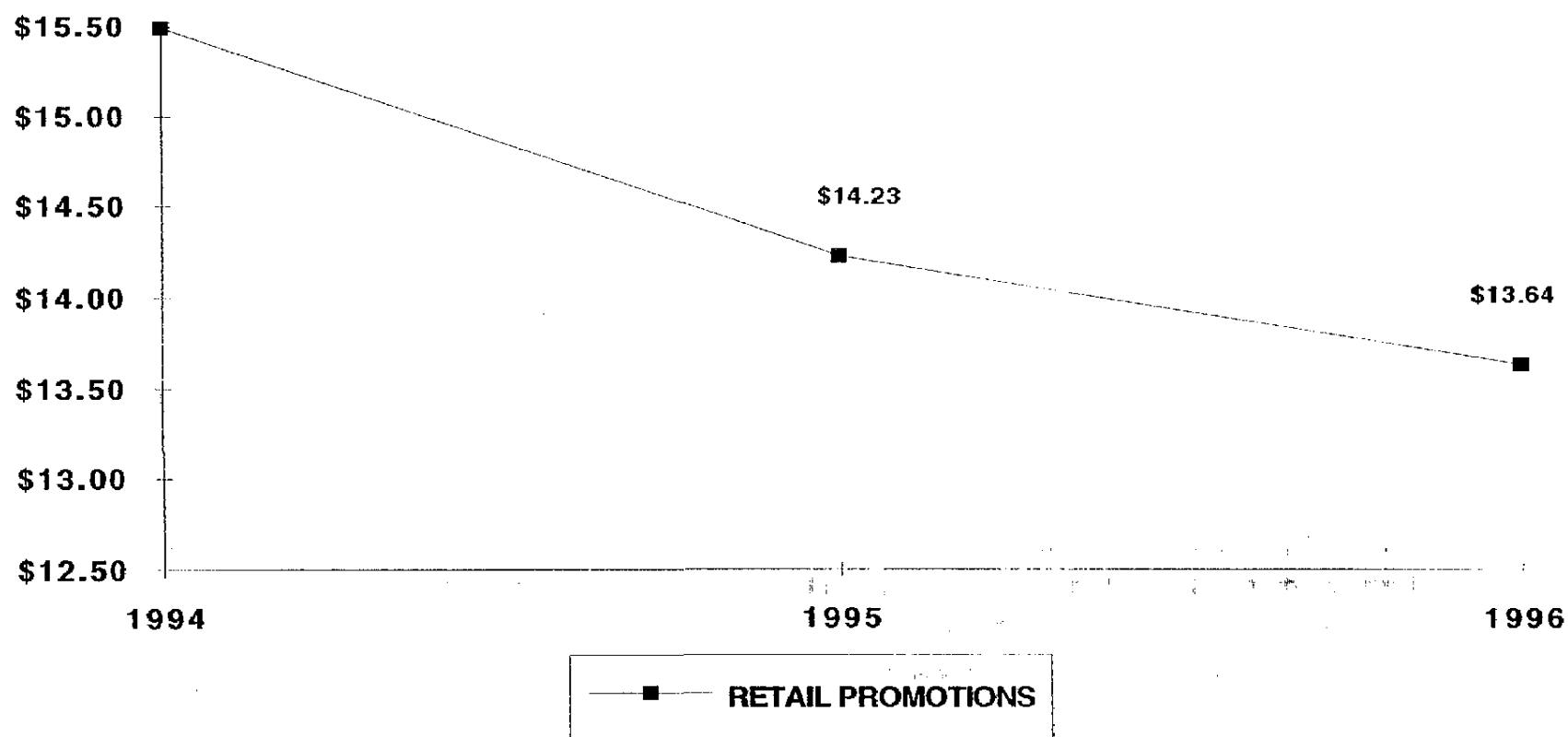
12 months

-- MEET COMPETITION

**6 PROMOTION (NAT'L ALLOCATION)
INCENTIVE / PRODUCT**

9981020902

BASIC PROMOTED VOLUME CPM



2981020902

BASIC 1996 PROMOTION PLAN													
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
PROMOTIONS													
NATIONAL		YOUR BASIC BOX INTRODUCTION				YOUR BASIC BANQUET			YOUR BASIC HANDYMAN			HOLIDAY BONUS	
		B2GLIGHTER FREE	B2G1F	PRICE PROMOTION \$0.20/PACK/NRM B2G1F	PRICE PROMOTION \$0.20/PACK NRM B2G1F	B3GBBQ LIGHTER FREE	PRICE PROMOTION \$0.20/PACK NRM B2G1F	PRICE PROMOTION \$0.20/PACK NRM B2G1F	B2G FLSLGH FREE BB SNKLIGHT	B2G1F	B1 CTN G TOOL KIT FREE BB TOOLS	PRICE PROMOTION \$0.20/PACK NRM B2G1F	PRICE PROMOTION \$0.20/PACK NRM B2G1F
	PACK												
	CARTON												
	PRICE PROMOTION												
	Displays	125,000	125,000	35,000		87,500	35,000		125,000	125,000	32,000	35,000	
	Deals	5.0mm	5.0mm	1.4mm		3.5mm	1.4mm		5.0mm	5.0mm	1.2mm	1.4mm	

8981020902

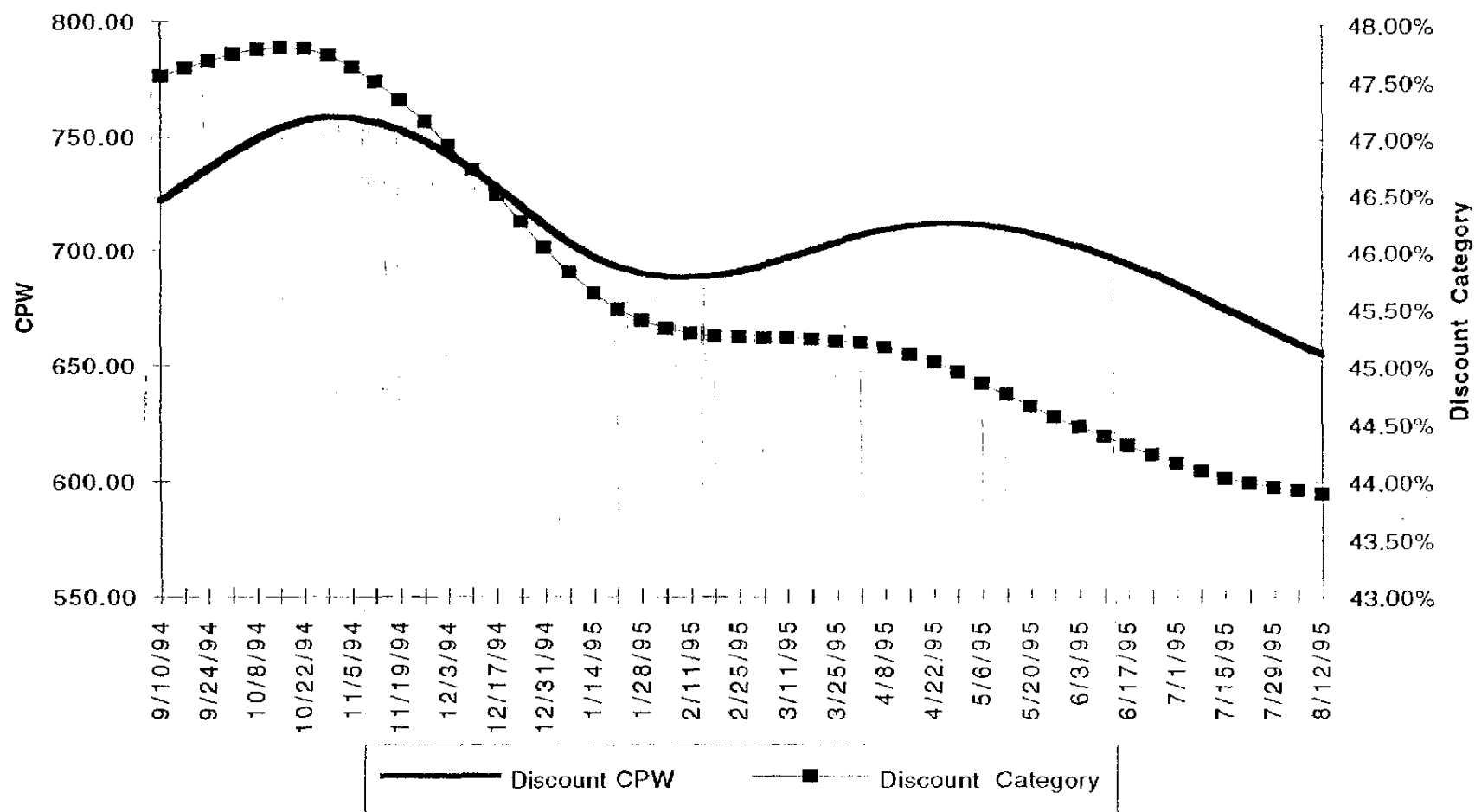
1996 PLAN
MEGA VOLUME ACCOUNTS

SITUATION ANALYSIS:

- Total CPW per store is decreasing while the number of mega accounts are growing
- Discount category is overdeveloped (44%), but declining
- GPC, Doral, and Private Label have grown in megas during 1995
- Basic's share of category category is 12.17 % and declining slightly
- Basic is price disadvantaged in mega outlets
- 1995 Competitive Response Program Results
 - 52% participation of potential stores
 - Budget utilization - 81%

6981020902

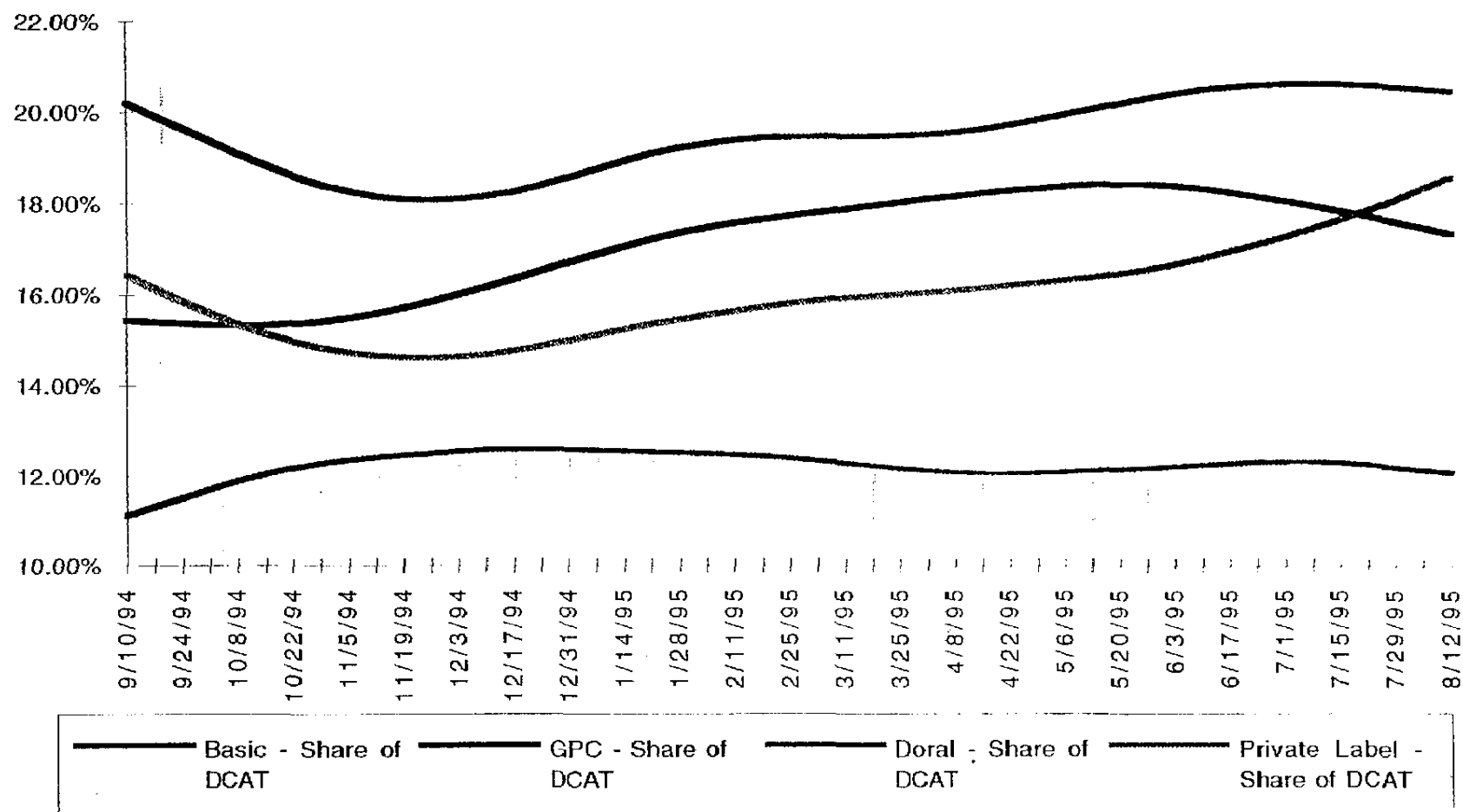
Mega Volume Outlets - Discount CPW and Category



2060201870

SOURCE: STARS DATA

Mega Volume Outlets - Share of Discount Category



2060201871

SOURCE: STARS DATA

Basic

1996 PLAN MEGA VOLUME ACCOUNTS

1996 Basic Mega Plan

- Pricing - Meet competition
 - GPC
 - Doral
- Potential Stores - 3,500 Stores
 - 1,000 + CPW chain accounts
 - 800 + CPW independent stores
 - Wholesale clubs excluded
 - STARS data to improve targeting and analysis of mega program
- Create a significant footprint
 - Mega visibility program (Q2 and Q4)
 - Permanent POS
 - In store Sweepstakes

2060201872

Basic

1996 PLAN MEGA VOLUME ACCOUNTS

Focus Group Recommendations

- Communicate section budgets to SOMs earlier in the process
- Track utilization of committed funds
- Force ship quarterly mega van kits with a listing of POS item numbers
- Supplement store list with STARS information
- Modify store list to reflect "true" potential stores

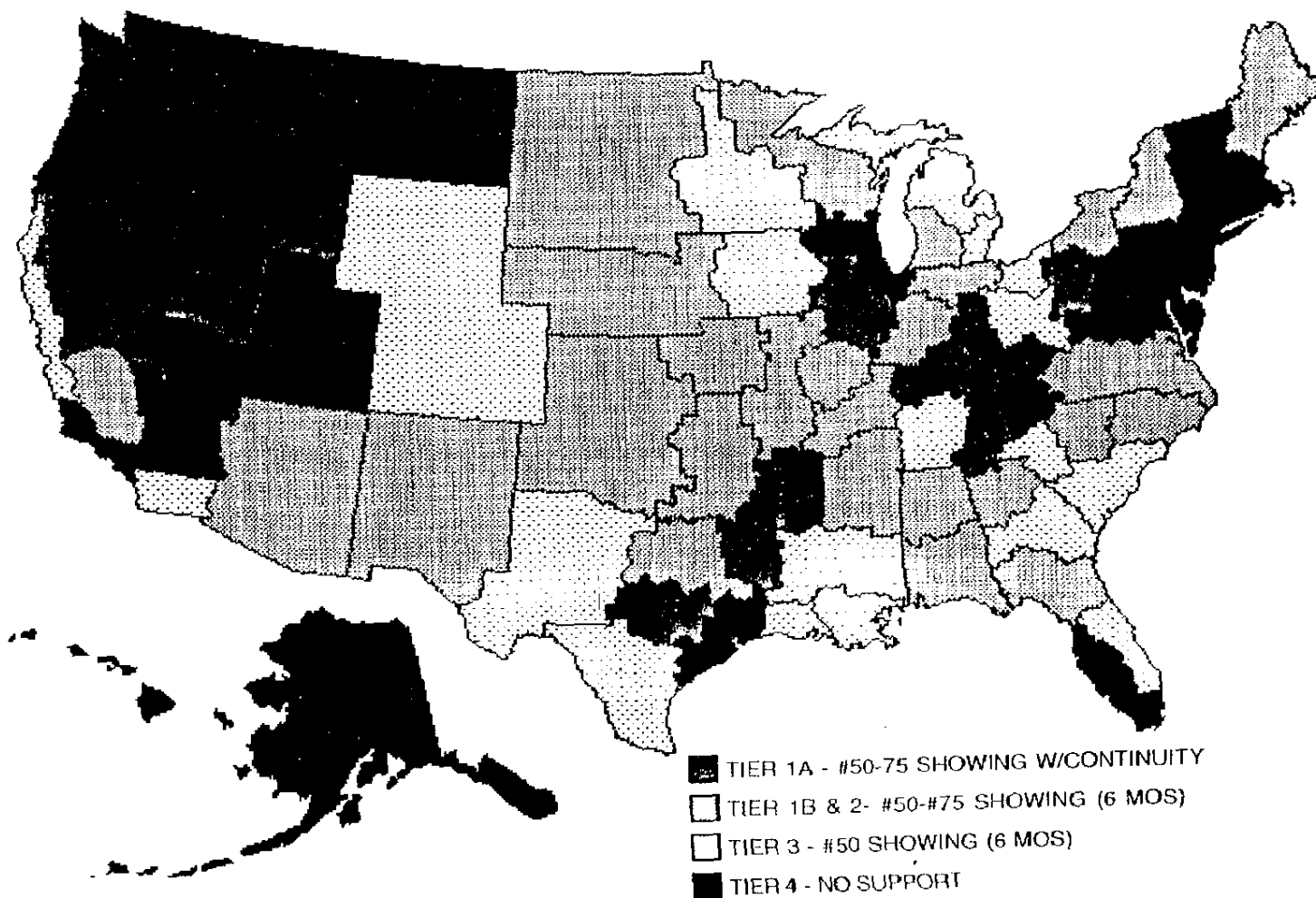
2060201873

Basic

1996 PLAN
NON-RETAIL MASTERS ACCOUNTS

2060201874

BASIC TIERED MEDIA MARKETS



Source: N/A

2060201875

Basic

1996 COMMUNICATION GOALS - OTHER MEDIA

MEGA VOLUME OOH

- 12 MONTHS
- BASIC STRONG MARKETS
- WITHIN 1 MILE OF IDENTIFIED MEGA VOLUME ACCOUNTS

MILITARY

- SAME FLIGHTING AS PRINT BOOKS
- PLACE IN TOP MILITARY MAGS

ANAF TIMES
FAMILY

MILITARY LIFESTYLE
OFF DUTY

9481020902 TRUCK STOPS

- 4 MONTHS OF VISIBILITY IN SPRING AND SUMMER

1996 PLAN NON-RETAIL MASTERS PLAN

Situation Analysis

- PM Business is underdeveloped
 - PM Share - 40.8%
 - Basic Share - 3.1%
 - Discount Category - 32.9%
- Approximately 87,000 stores do not have PM merchandising contracts
- Accounts are skewed toward pack and independent outlets

	<u>Pack</u>	<u>Carton</u>	<u>Total</u>
Independents	41,170	6,577	47,747
Chain	<u>25,991</u>	<u>12,986</u>	<u>38,977</u>
	67,161	19,563	86,724

- Current Merchandising Plan - 17% Penetration

2060201872

Basic

1996 PLAN NON-RETAIL MASTERS - SUBSCRIPTION PROGRAM

1996 Plan

- **Merchandising Payments**
 - \$15 Payment
 - 3 Tier / 70 pack counter display

 - \$50 Payment
 - 3 Tier / 70 pack counter display OR 150 carton semi-permanent display
 - Volume requirement - 151 + Industry CPW

 - \$100 Payment
 - 150 carton semi-permanent display
 - Volume requirement - 800 + Industry CPW

- **Quarterly promotions**
 - Product promotions (B2G1F) during price promotions
 - National promotions

- **Visibility**
 - Permanent POS - Minimum of 1 piece
 - Temporary POS - Greater of 1 piece of Basic's fair share of the market

- **Penetration - 35,000 stores**

8481020902

Basic

1996 PLAN
VISIBILITY AND POS

2060201879

1996 PLAN POS AND VISIBILITY

Situation Analysis:

Basic retail visibility impacted by the following :

- 1996 Retail "look" (Marlboro focus)
- Competitive discount activity
- PM USA FSF focus on premium brands
- Clutter in high discount developed accounts

2060201880

Basic

1996 PLAN POS AND VISIBILITY

1996 Plan

Improve Basic's share of category visibility and ease of execution

- Image building POS
- Communicate permanent and temporary items available
- Each member of Basic brand team will "adopt" two sections
- Reinforce Retail Masters requirement of PM signage in the #1 discount location

2060201881

Basic

1996 BASIC PLAN
MENTHOL

2060201882

1996 BASIC PLAN MENTHOL

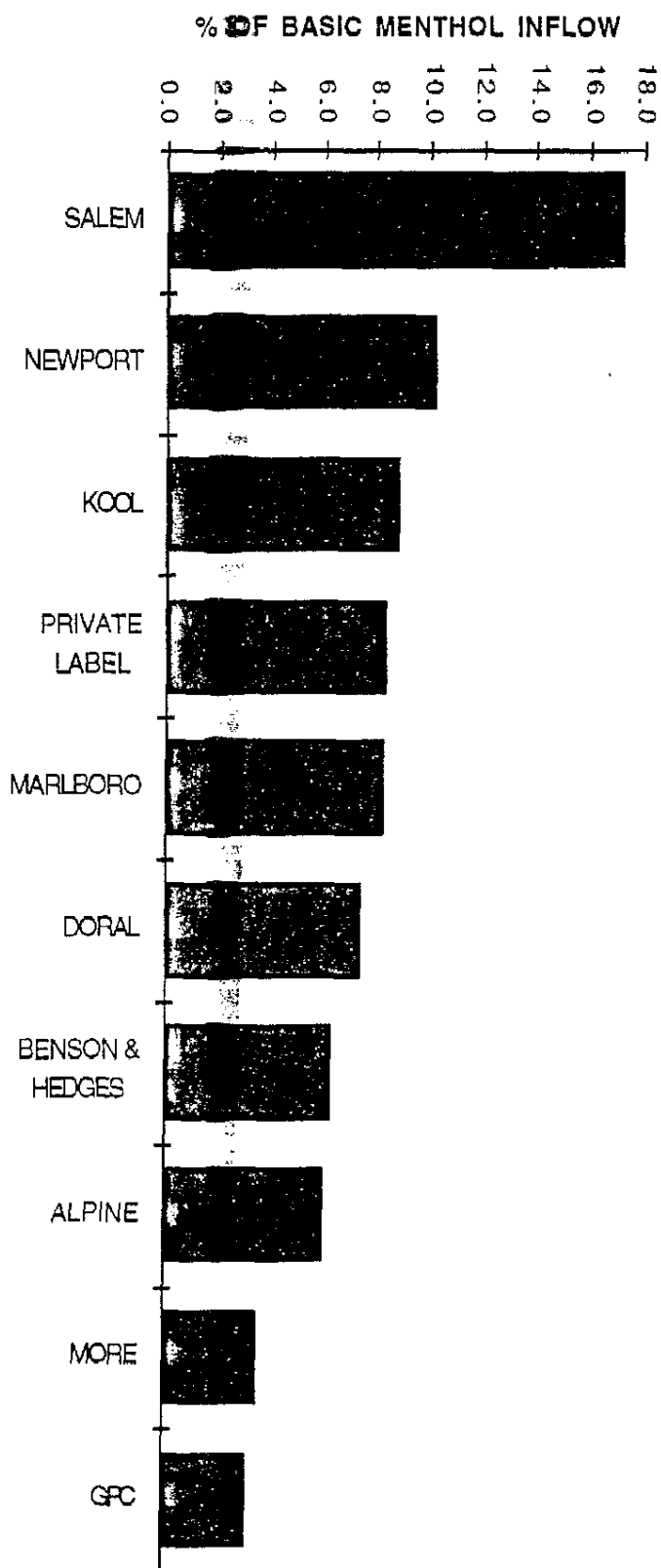
- BASIC MENTHOL A SIGNIFICANT CONTRIBUTOR TO PM MENTHOL PORTFOLIO
 - 17% OF PM MENTHOL
 - 1.07 SHARE
 - 4.34 SHARE OF MENTHOL CATEGORY
 - 24% OF BASIC'S SHARE
- NUMBER 2 DISCOUNT MENTHOL BRAND BEHIND DORAL
- SHARE IN MENTHOL LIGHTS STABLE AND EQUAL TO DORAL
- SHARE IN MENTHOL FULL FLAVOR BEHIND BOTH DORAL AND GPC BUT GROWING

2060201883

Basic

1996 BASIC PLAN
MENTHOL

SOURCE OF BASIC MENTHOL INFLOW



SOURCE: VOLUMETRICS, JULY '95 12MM
4881020902

1996 BASIC PLAN MENTHOL

MENTHOL PROMOTIONS STRATEGY

- GROW BASIC MENTHOL IN STRONG MENTHOL MARKETS

MENTHOL PROMOTION PLAN

SPECIAL BUSINESS OPPORTUNITY (SBO)

- GEO'S BASED ON STRONG MENTHOL MARKETS
2 PROGRAMS - 3 MONTHS EACH
 - B1G1F (UNDERDEVELOPED BASIC
MARKETS ONLY) - 1MM DEALS
 - B2G1F - 3MM DEALS
 - INCENTIVE W/ 1 PACK - 1.5MM DEALS

- FSF FLEXIBILITY

OTHER STRATEGIC SECTION/MARKET LEVEL INITIATIVES

- i.e. Section 22

2060201885

Basic

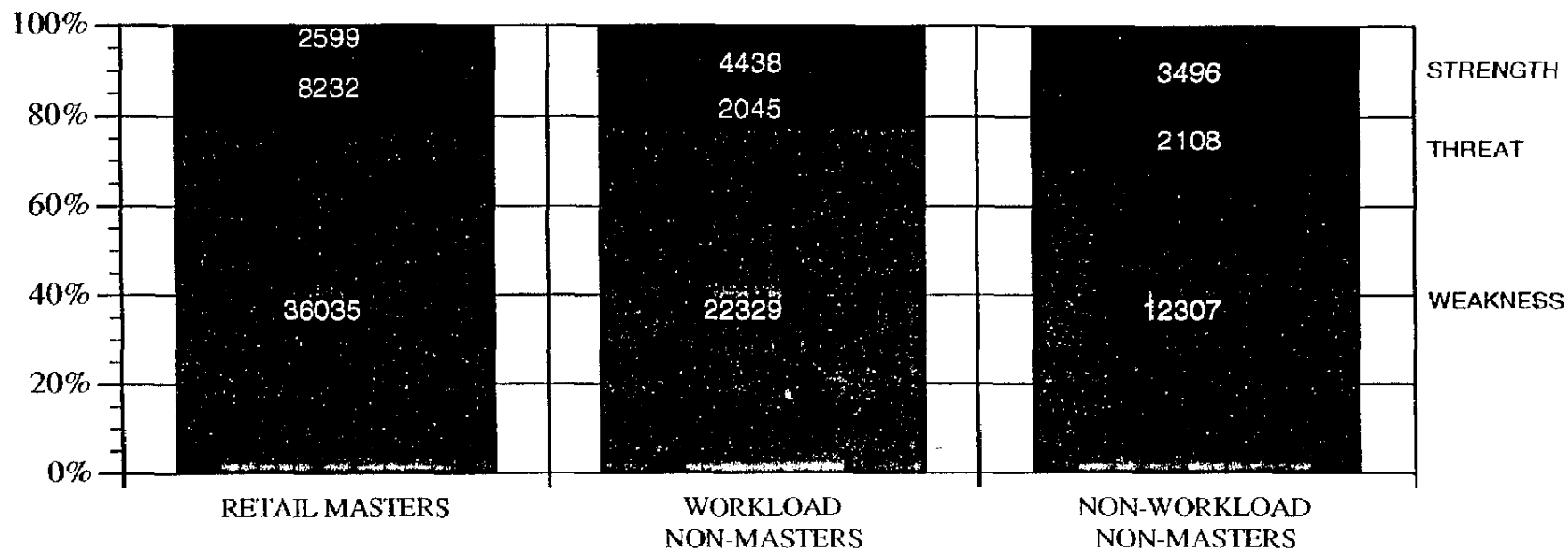
BASIC 1996 PLAN
GPC DEFENSIVE

2060201886

Basic

BASIC 1996 PLAN GPC DEFENSIVE

SEGMENTATION RESULTS & DISTRIBUTION



BASIC DISTRIBUTION 100%
STORES W/O BASIC 0

78%
6459

54%
8177

2881020902

Basic

BASIC 1996 PLAN GPC DEFENSIVE

STRATEGY:

- EXECUTE PRODUCT PROMOTIONS IN:
–NON-RETAIL MASTERS STRENGTH/THREAT
STORES (6,483 STORES)

PLAN:

- B2G1F EVERY MONTH
- POS
- PAYMENTS

–RETAIL MASTERS STRENGTH/THREAT STORES WILL RECEIVE PRODUCT
PROMOTIONS IN MONTHS WHEN NOT PRICE PROMOTING

8881020902

BASIC 1996 PLAN GPC DEFENSIVE

STRATEGY:

- INCREASE BASIC DISTRIBUTION IN NON-MASTERS OUTLETS WITH GPC IN DISTRIBUTION

PLAN:

- INTRODUCE BASIC W/ PROMOTIONS
 - 6 MONTH PROGRAM - PROMOTIONS 4WKS ON, 2 WKS OFF
 - INTRODUCE W/ PRICE PROMOTION
 - FOLLOW W/ B2G1F
 - B2G INCENTIVE
 - REPEAT B2G1F
- REVERT TO NORMAL ON GOING PROMOTIONS

6881020902

BASIC 1996 PLAN GPC DEFENSIVE

STRATEGY:

- MONITOR STORES W/O GPC FOR NEW DISTRIBUTION AND TAKE ACTION AS NEEDED

PLAN:

- USE STARS TO TRACK NEW DISTRIBUTION
- RESPOND TO GPC WHEN NEW DISTRIBUTION IS GAINED
 - BASIC MEETS PRICE IF ENTERING AT LOWEST
 - PROMOTES BETWEEN LOWEST AND GPC WHEN GPC NOT LOWEST
 - PRIORITY: HIGHLY DEVELOPED BASIC ACCOUNTS, MASTERS

0681020902

Basic

1996 MARKETING PLAN
1994-95 DIRECT MAIL

- MORE THAN DOUBLED BASIC SMOKERS - - 31% OF FRANCHISE
 - 77% INVOLVED IN PURCHASE
- HIGH REDEMPTION LEVEL
 - DEFENSIVE = 40%
 - OFFENSIVE > 20%
- VERY HIGH INCREASE IN COMPETITIVE SMOKERS PURCHASING BASIC
 - 400 M IN DEC '94 TO 1.3 MM IN AUG '95
- CREATIVE CONSISTENT WITH ADVERTISING EVOLUTION
- TESTED CONTINUITY OFFER - - T-SHIRT

2060201891

Basic

1996 MARKETING PLAN DIRECT MAIL

<u>BRAND</u>	<u>REDEMPTION*</u>	
	<u>DEFENSIVE</u>	<u>OFFENSIVE</u>
	<u>%</u>	<u>%</u>
BASIC	40	24
ALPINE	33	21
CAMBRIDGE	30	21
MERIT	28	15
VIRGINIA SLIMS	27	17
MARLBORO	---	24

* BASED ON '94 PROGRAMS

2060201892

1996 MARKETING PLAN STRATEGY

- BUILD STRONGER EMOTIONAL BOND
 - INVITING & INVOLVING CREATIVE
- THEMATICALLY TIE NATIONAL MAILINGS TO ADVERTISING / PROMOTIONS
- INCREASE BASIC SMOKERS FROM 685M (31%) TO 900M (41%) OF FRANCHISE
- CONTINUE TO INCREASE EFFICIENCY / EFFECTIVENESS OF PROGRAMS
 - LOWEST CPM YET HIGHEST RESPONSE LEVEL
 - USE MODELING TO TARGET BETTER
- GPC / DORAL TARGETED MAILINGS

2060201893

Basic

BASIC 1996 NATIONAL DIRECT MAILINGS

FEBRUARY (BOX)

THEME: BOX INTRODUCTION

BASIC SMOKERS .7MM

COMPETITIVE RESPONDERS
1.6MM

OTHER COMPET. MOST RESP.
.8MM

TOTAL AUDIENCE: 3.1 MM

MAY

THEME: "YOUR BASIC BANQUET"

BASIC SMOKERS .8MM

COMPETITIVE RESPONDERS
1.8MM

OTHER COMPET. MOST RESP.
.6MM

TOTAL AUDIENCE: 3.2 MM

AUGUST

THEME: "YOUR BASIC HANDYMAN"

BASIC SMOKERS .9MM

COMPETITIVE RESPONDERS
2.0MM

OTHER COMPT. MOST RESP.
.5MM

TOTAL AUDIENCE: 3.4 MM

2060201894

Basic

BASIC 1996 TARGATED DIRECT MAILINGS

APRIL

OFFER: COUPONS
SURVEY

GPC SMOKERS .2 MM

DORAL SMOKERS .7 MM

TOTAL AUDIENCE: .9 MM

NOVEMBER

OFFER: COUPONS

GPC SMOKERS .250 M

DORAL SMOKERS .750 M

TOTAL AUDIENCE: 1 MM

2060201895

1996 MARKETING PLAN BUDGET

• PROGRAM EFFICIENCY -- CPM

	<u>1995</u>	<u>1996</u>
RETAIL PROMOTIONS	13.64	14.23
DIRECT - MAIL	21.24	29.22
FSI	28.30	18.04
<hr/>		
TOTAL BRAND PROGRAMS	14.38	15.14
PROMOTED VOLUME	35%	40%

2060201896

**1996 ORIGINAL BUDGET
BASIC
IN (\$000's)**

	<u>FIRST HALF</u>	<u>SECOND HALF</u>	<u>TOTAL YEAR</u>
<u>ADVERTISING</u>			
PRINT	\$6,300	\$6,300	\$12,600
OUTDOOR	8,750	8,750	17,500
PRODUCTION	1,500	1,500	3,000
TOTAL ADVERTISING	<u>\$16,550</u>	<u>\$16,550</u>	<u>\$33,100</u>
<u>EVENTS</u>	\$0	\$0	\$0
<u>RETAIL PROMOTIONS</u>			
PRICE	\$29,000	\$25,900	\$54,900
PRODUCT	12,368	10,355	22,723
INCENTIVE	12,736	12,613	25,349
TOTAL RETAIL PROMOTIONS	<u>\$54,104</u>	<u>\$48,868</u>	<u>\$102,972</u>
COUPONING	\$1,518	\$0	\$1,518
DIRECT MAIL	\$9,500	\$5,610	\$15,110
POS MATERIALS	\$2,250	\$2,250	\$4,500
OTHER	\$3,650	\$3,650	\$7,300
TOTAL BRAND SPENDING	<u><u>\$87,572</u></u>	<u><u>\$76,928</u></u>	<u><u>\$164,500</u></u>
PERCENT PROMOTED	18.5%	16.8%	35.3%
1995 TOTAL YEAR	\$81,965	\$91,835	\$173,800

B3

2681020902

BASIC
1996 SPENDING & PROFITABILITY

	<u>1996 ORIGINAL BUDGET</u>		<u>1995 THIRD REVISED</u>		<u>1994 ACTUAL</u>	
	<u>MM</u>	<u>PER M</u>	<u>MM</u>	<u>PER M</u>	<u>MM</u>	<u>PER M</u>
UNIT VOLUME	23,533		22,195		23,048	
MARGINAL CONTRIBUTION	\$565.0	\$24.01	\$488.3	\$22.00	\$486.2	\$21.09
DIRECT MARKETING						
ADVERTISING	33.1	1.41	30.9	1.39	32.8	1.42
EVENTS	0.0	0.00	0.0	0.00	0.0	0.00
RETAIL	103.0	4.38	119.2	5.37	83.8	3.64
COUPONS	1.5	0.06	4.6	0.21	6.4	0.28
DIRECT MAIL	15.1	0.64	14.6	0.66	20.1	0.87
POS	4.5	0.19	3.1	0.14	3.3	0.14
OTHER	7.3	0.31	1.4	0.06	2.6	0.11
	<u>164.5</u>	<u>6.99</u>	<u>173.8</u>	<u>7.83</u>	<u>149.0</u>	<u>6.46</u>
RETAIL SUPPORT	<u>54.3</u>	<u>2.31</u>	<u>49.4</u>	<u>2.23</u>	<u>51.3</u>	<u>2.22</u>
TOTAL DIRECT MARKETING	<u>218.8</u>	<u>9.30</u>	<u>223.2</u>	<u>10.06</u>	<u>200.3</u>	<u>8.68</u>
NET CONTRIBUTION	<u>\$346.2</u>	<u>\$14.71</u>	<u>\$265.1</u>	<u>\$11.94</u>	<u>\$285.9</u>	<u>\$12.41</u>
% CHANGE FROM PRIOR YEAR	30.6%	23.1%	(7.3%)	(3.7%)	86.6%	97.6%

B1

8681020902